

Message Text

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PAGE 01 SANTIA 05674 282236Z
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TAGS: ECON, EFIN, EINV, PINT, SHUM, CI
SUBJECT: CHILE AND THE U.S. BANKS - UPDATE OF CREDIT FLOW

REF: (A) SANTIAGO 4718, (B) SANTIAGO 2129, (C) SANTIAGO 1463,
(D) SANTIAGO 0835, (E) SANTIAGO 2581

1. SUMMARY: U.S. COMMERCIAL BANKS CONTINUE AS THE MAIN CHILEAN SOURCE OF EXTERNAL CREDIT. TOTAL SYNDICATED LOANS REACHED \$545 MILLION IN THE PERIOD JANUARY-JUNE, COMPARED TO \$626.5 FOR THE ENTIRE YEAR 1977. NON-SYNDICATED BANK TO BANK LOANS HAVE JUMPED FROM \$412 MILLION LAST YEAR TO A MID-1978 FIGURE OF \$360.9 MILLION. OF THE \$615.6 MILLION IN SUPPLIER CREDIT LINES TO CHILE ESTABLISHED IN 1977 ONLY \$243 MILLION REMAINS AVAILABLE, REPRESENTING A DRAWDOWN FOR CAPITAL GOODS IMPORTS OF \$373 MILLION. THE FIRST CHICAGO CREDIT OF \$75 MILLION HAS BEEN TOTALLY UTILIZED. WHILE SOMEWHAT MORE CAUTIOUS, U.S. SOURCE LENDING TO CHILE CONTINUES THE UPWARD TREND ESTABLISHED IN 1977. FIVE U.S. BANKS HAVE NOW ESTABLISHED REPRESENTATIVE OFFICES IN CHILE.
END SUMMARY.

2. SYNDICATED LOANS. OF THE FIVE SYNDICATED LOANS TO CHILE IN 1978, ALL ARE MANAGED BY U.S. BANKS.

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PAGE 02 SANTIA 05674 282236Z

LENDER	TO	AMOUNT (\$ MIL)
(A) MORGAN GUARANTY	CENTRAL BANK	210
(B) BANKER'S TRUST	CAP	100
(C) CHASE	CORFO	90
(D) CHASE	ENDESA	90
(E) LIBRA BANK	BANCO DEL ESTADO	55

IN ADDITION, THREE LOANS ARE GOING INTO SYNDICATION IN JULY, 1978.

(F) CITIBANK AND/OR	ENDESA	100
(G) LIBRABANK	ENDESA	150
(H) CHASE OR WELLS FARGO	IANSA	21.4

SYNDICATED LENDING IN 1977 TOTALLED \$626.5 MILLION OF WHICH \$389.8 MILLION WAS SUSCRIBED BY U.S. BANKS. THE MID-YEAR 1978 FIGURE IS ALREADY APPROACHING THE 1977 TOTAL, A RESULT OF THE GOC DECISION TO INCREASE GROSS RESERVES FROM THE PRESENT LEVEL OF \$1.2 BILLION TO OVER \$1.5 BILLION. THE CENTRAL BANK IS ACTIVELY CONSIDERING SEVERAL LOAN OFFERS INCLUDING A THIRD BOP CREDIT OF APPROXIMATELY \$150 MILLION.

3. NON-SYNDICATED LOANS. PRIVATE BANK TO BANK LENDING CONTINUES ITS FRENETIC PACE WITH THE 1978 TOTAL REACHING \$360.9 MILLION AS OF JULY 21. TOTAL INFLOWS IN 1977 WERE \$412 MILLION OF WHICH APPROXIMATELY \$259 MILLION WAS U.S. SOURCED. WHILE RATES HAVE DECLINED, CREDITS TO THE PRIVATE SECTOR REMAIN SHORT-TERM. THE CENTRAL BANK RECENTLY MOVED TO LIBERALIZE BANKING REGULATIONS TO PROMOTE AN INFLOW OF LONGER-TERM CREDITS. THE GROWTH IN LENDING UNDER CHILEAN ARTICLE 14 (MINIMUM OF 24 MONTHS AT CENTRAL BANK APPROVED INTEREST RATES) IS RESULTING IN A SHIFT IN THE STRUCTURE OF CHILE'S FOREIGN DEBT WHICH NOW TOTALS \$5,434 BILLION. WHILE THE FOREIGN OBLIGATIONS OF THE PUBLIC AND PRIVATE SECTORS WITH LIMITED OFFICIAL USE

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PAGE 03 SANTIA 05674 282236Z

GOVERNMENT GUARANTEE HAS DECREASED FROM \$3,788 BILLION IN 1975 TO \$3,673 BILLION IN 1977, THE DIRECT FOREIGN DEBT OF THE PRIVATE SECTOR WITHOUT GOVERNMENT GUARANTEE (ARTICLE 14) HAS INCREASED IN THE SAME PERIOD FROM \$1,476 BILLION TO \$1,761 BILLION.

4. SUPPLIERS CREDITS. IN 1977 TEN FOREIGN GOVERNMENT AND COMMERCIAL BANKS ESTABLISHED LINES OF SUPPLIERS CREDITS TO CHILE FOR IMPORTS OF CAPITAL GOODS TOTALLING APPROXIMATELY \$615.6 MILLION. THIS AMOUNT INCLUDED A SYNDICATED COMMERCIAL LOAN OF \$75 MILLION HEADED BY FIRST CHICAGO BANK. THESE CREDITS IN 1977 FINANCED 34 PERCENT OF CHILE'S TOTAL CAPITAL GOODS IMPORTS OF \$620 MILLION. ACCESS TO FINANCING BY CHILEAN IMPORTERS RESULTED IN IMPORTANT MARKET GAINS FOR EXPORTS FROM WEST GERMANY, ARGENTINA, AND MEXICO. OF THE TOTAL AVAILABLE ONLY \$373 MILLION IN SUPPLIERS CREDITS REMAINS AVAILABLE. THE CENTRAL BANK IN JUNE ANNOUNCED THAT THE FIRST CHICAGO CREDIT WAS EXHAUSTED AND WOULD NOT BE RENEWED. THIS WAS THE ONLY OPEN CREDIT LINE AVAILABLE, THE REMAINDER BEING TIED TO IN-COUNTRY PURCHASES. THE CENTRAL BANK, HAVING ESTABLISHED CHILE'S CREDIT-WORTHINESS, HAS ANNOUNCED THAT IT WILL NOT CONTRACT ANY NEW CREDITS FOR CAPITAL GOODS IMPORTS, INSTEAD, TURNING THIS ACTIVITY OVER TO THE PRIVATE SECTOR. THE FOLLOWING TABLE LISTS THE CREDITS

FOR OPERATIONS OF CAPITAL GOODS IMPORTS.

LENDER	LINE (\$ MIL)	REMAINING
(A) FIRST CHICAGO	75	0
(B) ARGENTINE CENTRAL BANK	210	58.35
(C) BANCO DO BRASIL	50	16.78
(D) MEXICO FOREIGN TRADE BANK	20	1.16
(E) BANCO DE SANTANDER	25	21.51
(F) SPAIN FOREIGN TRADE BANK		
(G) AND SPAIN ICO	110	95.92
(H) CREDIT SUISSE (SFR.)	50	48.96
(I) FRG SUDAMER. BANK (DM)	100	5.87
(J) FRG DEUTSCH BANK (DM)	100	42.02

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PAGE 04 SANTIA 05674 282236Z

5. FIVE BANKS NOW HAVE REPRESENTATIVE OFFICE IN SANTIAGO: FIRST OF BOSTON, CHASE, BANK OF AMERICA, WELLS FARGO, AND MANUFACTURERS HANOVER (TO BE OPENED THIS MONTH). SINCE JANUARY THE EMBASSY ECONOMIC SECTION HAS SEEN 39 BANK GROUPS RANGING FROM WELLS FARGO TO RANIER NATIONAL BANK. WHILE STILL IMPRESSED BY GOC ECONOMIC POLICY, SOME BANKERS ARE BEGINNING TO QUESTION THE EFFECT OF THE LETELIER/MOFFITT INVESTIGATION ON THE POLITICAL SYSTEM. DESPITE THESE MISGIVINGS MORE FOREIGN CREDITS ARE AVAILABLE THAN CAN BE ABSORBED BY THE BANKING SYSTEM.
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